

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NORTH DAKOTA**

In Re:	Bankruptcy No.: 25-30002
Generations on 1 <sup>st</sup> , LLC, Debtor, Jointly Administered.	Chapter 11
Parkside Place, LLC, Debtor, Jointly Administered.	Bankruptcy No.: 25-30003
	Chapter 11

**AFFIDAVIT OF CHARLES AARESTAD**

**RE: EIGHTH GENERATIONS NOTE**

STATE OF MINNESOTA            )  
  ) SS  
COUNTY OF NORMAN            )

I, Charles Aarestad, hereby state and declare as follows:

1. I am a Senior Vice President at Red River State Bank (“RRSB” or “Creditor”).

I have held my current position since 2011.

2. I hold a Bachelor’s Degree in Agricultural Economics from North Dakota State University. I have also attended the Graduate School of Banking at the University of Wisconsin-Madison.

3. I am personally familiar with the loan history between RRSB and Generations on 1<sup>st</sup> (the “Debtor” or “Generations”).

4. I have personally reviewed bank statements, transaction receipts, deposits, and checks associated with several accounts, including without limitation:

- a. a checking account ending in -4657 at RRSB, also known as the Assignment of Rents Holding Account (the “RRSB Generations Account”);
- b. a checking account ending in -1711 at First Community Credit Union (“FCCU”) owned by Craig Development, LLC (the “FCCU Craig Development Account”);
- c. a checking account ending in -4695 at FCCU owned by Craig Properties LLC ;
- d. a checking account ending in -2258 at Starion Bank owned by non-debtor affiliate CP Business Management Inc. – Apartments (the “CP Business Account”); and
- e. a debtor-in-possession checking account ending in -8666 held by the estate at Starion Bank (the “Generations DIP Account”).

With the exception of the accounts for which RRSB is the depository institution, all of the aforementioned documents were obtained through subpoenas issued in the Debtor’s bankruptcy case.

### **History of the Eighth Generations Note**

5. RRSB and Debtor are parties to a Forbearance Agreement dated as of February 17, 2023 (the “Forbearance Agreement”). Prior to execution of the Forbearance Agreement, RRSB made several loans that were used for the construction of an apartment building in Watertown, South Dakota known as “Generations on 1<sup>st</sup>” (the “GO1 Real Property”).

6. In connection with the forbearance, RRSB agreed to permit a total of 11 existing construction loans (the “Old Loans”) to be refinanced by Loan No. 51676, which is memorialized in that certain Promissory Note dated April 17, 2023, for the original principal

sum of \$8,100,000.00 (“Eighth Generations Note”). The maturity date of the Eighth Generations Note is December 1, 2026. A true and correct copy of the Eighth Generations Note is attached as **Exhibit A** and incorporated by reference.

7. Pursuant to the Eighth Generations Note, interest accrues on the unpaid principal balance at a rate of 6.750% per annum and the Debtor’s repayment obligation was as follows:

- a. Forty-three (43) monthly consecutive principal and interest payments of \$55,830.18 from May 15, 2023 through November 15, 2026; and
- b. One (1) final principal and interest payment on December 1, 2026, comprised of all principal and accrued interest not yet paid, a sum estimated to be \$7,624,288.42 if all payments were made exactly as scheduled.

8. The Loan Disbursement Request and Authorization contemporaneously executed by Debtor (“Eighth Generations DRA”), confirms that proceeds of the Eighth Generations Note were applied to the 11 existing loans listed therein:

**SPECIFIC PURPOSE.** The specific purpose of this loan is: Refinance Construction Loan.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$8,100,000.00 as follows:

Amount paid on Borrower's account:	\$8,100,000.00
\$46,418.19 Payment on Loan # 40869	
\$142,789.38 Payment on Loan # 40881	
\$57,880.80 Payment on Loan # 40910	
\$1,565,200.00 Payment on Loan # 41121	
\$2,976,430.98 Payment on Loan # 51404	
\$1,094,025.15 Payment on Loan # 51425	
\$424,259.84 Payment on Loan # 51437	
\$843,168.59 Payment on Loan # 51449	
\$653,729.65 Payment on Loan # 51471	
\$274,043.60 Payment on Loan # 51488	
\$22,053.82 Payment on Loan # 41206	
 Note Principal:	 \$8,100,000.00

A true and correct copy of the Eighth Generations DRA is attached as **Exhibit B** and incorporated by reference, and an excerpt has been reproduced above for reference.

9. Three of the existing loans were issued by RRSB to Craig Holdings, LLC to purchase land for the GO1 Real Property (collectively, the “Lot Loans”). First, RRSB made

Loan No. 40869 (the “First Lot Loan”) to Craig Holdings LLC on July 6, 2020 to finance the purchase of a lot located at 110 1<sup>st</sup> St SW, Watertown, South Dakota. Loan proceeds in the amount of \$57,000 were remitted by RRSB to First Dakota Title – Watertown by delivery of Cashier’s Check No. 200757. True and correct copies of a Loan Disbursement Request and Authorization (a “DRA”), a Debit Ticket dated July 6, 2020, and a Cashier’s Check that confirm disbursement of the proceeds of Loan 40869 for the benefit of the Debtor are attached hereto as **Exhibit C-1** and incorporated herein by reference. For ease of reference, an excerpt of the relevant portion of the DRA for the First Lot Loan is set forth below:

**SPECIFIC PURPOSE.** The specific purpose of this loan is: PURCHASE RENTAL PROPERTY 110 1ST ST SW WATERTOWN.

**FLOOD INSURANCE.** As reflected on Flood Map No. 46029C0338D dated 01-16-2009, for the community of Watertown, City of, some of the property that will secure the loan is not located in an area that has been identified by the Administrator of the Federal Emergency Management Agency as an area having special flood hazards. Therefore, although flood insurance may be available for the property, no special flood hazard insurance protecting property not located in an area having special flood hazards is required by law for this loan at this time.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender’s conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$57,000.00 as follows:

Amount paid to others on Borrower’s behalf:	\$57,000.00
\$57,000.00 to CASHIER’S CHECK TO FIRST DAKOTA TITLE - WATERTOWN	

Note Principal:	\$57,000.00
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**CHARGES PAID IN CASH.** Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash:	\$570.00
\$494.30 Loan Documentation Fee	
\$65.00 Laser Pro Loan Document Fee	
\$10.70 Credit Report	

Total Charges Paid in Cash:	\$570.00
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10. RRSB made a second loan, Loan No. 40881 (the “Second Lot Loan”), to Craig Holdings LLC on July 30, 2020 to finance the purchase of a lot located at 26 1<sup>st</sup> Ave SW, Watertown, South Dakota. The original principal amount of the Second Lot Loan was \$155,150. Loan proceeds in the amount of \$154,000 were remitted to First Dakota Title – Watertown by a wire transfer. True and correct copies of the DRA and wire transfer records for the Second Lot Loan, both of which confirm disbursement of the proceeds of Loan 40881 for the benefit of the Debtor, are attached hereto as **Exhibit C-2** and incorporated herein by

reference. For ease of reference, an excerpt of the relevant portion of the DRA for the Second Lot Loan is set forth below:

**SPECIFIC PURPOSE.** The specific purpose of this loan is: Purchase 26 1st Ave SW Watertown SD 57201.

**FLOOD INSURANCE.** As reflected on Flood Map No. 46029C0338D dated 01-16-2009, for the community of WATERTOWN, CITY OF, the property that will secure the loan is not located in an area that has been identified by the Administrator of the Federal Emergency Management Agency as an area having special flood hazards. Therefore, although flood insurance may be available for the property, no special flood hazard insurance protecting property not located in an area having special flood hazards is required by law for this loan at this time.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$155,150.00 as follows:

Amount paid to others on Borrower's behalf:	\$154,000.00
\$154,000.00 to FIRST DAKOTA TITLE - WATERTOWN	
Total Financed Prepaid Finance Charges:	\$1,150.00
\$1,150.00 Loan Documentation Fee	
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Note Principal:	\$155,150.00

11. RRSB made a third loan, Loan No. 40910 (the “Third Lot Loan”), to Craig Holdings LLC on September 30, 2020 to finance the purchase of a lot located at 114 1<sup>st</sup> St. SW, Watertown, South Dakota. The original principal amount of the Third Lot Loan was \$72,450. Loan proceeds in the amount of \$71,906.62 were remitted to First Dakota Title – Watertown. True and correct copies of a DRA and a Debit Ticket dated September 30, 2020, both of which confirm disbursement of the proceeds of Loan 40910 for the benefit of the Debtor, are attached hereto as Exhibit C-3 and incorporated herein by reference. For ease of reference, an excerpt of the relevant portion of the DRA for the Third Lot Loan is set forth below:

**SPECIFIC PURPOSE.** The specific purpose of this loan is: PURCHASE 114 1ST SW WATERTOWN SD 57201.

**FLOOD INSURANCE.** Some of the property that will secure the loan is not located in an area that has been identified by the Administrator of the Federal Emergency Management Agency as an area having special flood hazards. Therefore, although flood insurance may be available for the property, no special flood hazard insurance protecting property not located in an area having special flood hazards is required by law for this loan at this time.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$72,450.00 as follows:

Amount paid to others on Borrower's behalf:	\$71,906.62
\$71,906.62 to Wire to First Dakota Title Watertown	
Total Financed Prepaid Finance Charges:	\$543.38
\$543.38 Loan Origination Fee	
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Note Principal:	\$72,450.00

12. Eight other existing loans were refinanced by the Eighth Generations Note. These loans are discussed at length in the Affidavit of Charles Aarestad Re: First through Seventh and Ninth Generations Notes and in the Affidavit of Charles Aarestad Re: Mulinda Notes.

13. To recap, on April 17, 2023, Eighth Generations Note loan proceeds totaling \$8,100,000.00 were disbursed and applied to eleven existing loans as follows:

<b>Loan #</b>	<b>Total Paid to Loan Account</b>
First Lot Loan (40869)	\$46,418.19
Second Lot Loan (40881)	\$142,789.38
Third Lot Loan (40910)	\$57,880.80
First Gen Note (41121)	\$1,565,200.00
Second Gen Note (51404)	\$2,976,430.98
Third Gen. Note (51425)	\$1,094,025.15
Fourth Gen Note (51437)	\$424,259.84
Fifth Gen Note (51449)	\$843,168.59
Sixth Gen Note (51471)	\$653,729.65
Seventh Gen Note (51488)	\$274,043.60
First Mulinda Note (41206)	\$22,053.82
<b>TOTAL:</b>	<b>\$8,100,000.00</b>

True and correct copies of a Debit Ticket dated April 17, 2023 in the sum of \$8,100,000.00, plus credit tickets dated April 17, 2023 confirming application of Eighth Generations Notes

proceeds in the aggregate amount of \$8,100,000 to eleven existing loans are attached as **Exhibit D** and incorporated herein by reference.

**Pre-Petition Payment History of the Eighth Generations Note**

14. Prior to the filing of Debtor’s Chapter 11 Petition on January 6, 2025 (“**Petition Date**”), eight (8) payments for the Parkside Note were received and applied to the outstanding balance of the Parkside Note as follows:

<b>Payment No.</b>	<b>Payment Description</b>	<b>Exhibit Description</b>	<b>Exhibit No.</b>
1	Payment of <b>\$55,830.18</b> was received on May 15, 2023. \$41,942.47 was applied to accrued interest and \$13,887.71 was applied to principal.	CP Business Account Check No. 4160 in the amount of \$55,830.18; and RRSB Credit Ticket dated May 15, 2023, in the sum of \$55,830.18.	<b>E-1, F &amp; G</b>
2	Payment of <b>\$55,830.18</b> was received on June 2, 2023. \$26,916.78 was applied to accrued interest and \$28,913.40 was applied to principal.	CP Business Account Check No. 4183* in the amount of \$78,355.18 and RRSB Loan Credit Slip dated June 2, 2023, in the sum of \$55,830.18.  * Check 4183 was divided between the Eighth GO1st and Parkside Notes. See Parkside Note Aff., ¶ 14, Row 18 and <b>Exh H-18</b> .	<b>E-2, F &amp; G</b>
3	Payment of <b>\$55,830.18</b> was received on July 10, 2023, and applied to accrued interest.	CP Business Account Check No. 4275* in the amount of \$78,355.18; RRSB Loan Credit Slip dated July 10, 2023, in the sum of \$58,830.18.  * Check 4275 was divided between the Eighth GO1st and Parkside Notes. See Parkside Note Aff., ¶ 14, Row 19 and <b>Exh. H-19</b> .	<b>E-3, F &amp; G</b>

4	Payment of <b>\$55,830.18</b> was received on August 16, 2023, and applied to accrued interest.	CP Business Account Check No. 4308* in the amount of \$78,355.18 and RRSB Loan Credit Slip dated August 16, 2023, in the sum of \$55,830.18.  * Check 4308 was divided between the Eighth GO1st and Parkside Notes. See Parkside Note Aff., ¶ 14, Row 20 and <b>Exh. H-20</b> .	<b>E-4, F &amp; G</b>
5	Payment of <b>\$55,830.18</b> was received on September 7, 2023. \$32,872.54 was applied to accrued interest and \$22,957.64 was applied to principal.	CP Business Account Check No. 4368* in the amount of \$78,355.18 and RRSB Loan Credit Slip dated September 7, 2023, in the sum of \$55,830.18.  * Check 4368 was divided between the Eighth GO1st and Parkside Notes. See Parkside Note Aff., ¶ 14, Row 21 and <b>Exh. H-21</b> .	<b>E-5, F &amp; G</b>
6	Payment of <b>\$55,830.18</b> was received on October 10, 2023. \$49,030.88 was applied to accrued interest and \$6,799.30 was applied to principal on May 24, 2022.	CP Business Account Check No. 4462* in the amount of \$78,355.18 and RRSB Loan Credit Slip dated October 10, 2023, in the sum of \$55,830.18.  * Check 4462 was divided between the Eighth GO1st and Parkside Note. See Parkside Note Aff., ¶ 14, Row 22 and <b>Exh. H-22</b> .	<b>E-6, F &amp; G</b>
7	Payment of <b>\$55,830.18</b> was received on November 8, 2023. \$43,051.29 was applied to accrued interest and \$12,778.89 was applied to principal.	CP Business Account Check No. 4506* in the amount of \$78,355.18 and RRSB Loan Credit Slip dated November 7, 2023, in the sum of \$55,830.18.  * Check 4506 was divided between the Eighth GO1st and Parkside Notes. See Parkside Note Aff., ¶ 14, Row 23 and <b>Exh. H-23</b> .	<b>E-7, F &amp; G</b>



8	Payment of <b>\$195,262.92</b> was received on December 30, 2024, and applied to accrued interest.	Wire from receiver in the sum of \$195,262.92 and RRSB Checking Withdrawal Slip dated December 30, 2024, in the amount of \$195,262.92.  Three (3) RRSB Loan Credit Slips, all dated December 30, 2024, and each in the sum of \$55,830.00 intended to reflect the monthly payments for Dec 2023-Feb 2024 and one (1) RRSB Loan Credit Slip dated December 30, 2024, in the sum of \$22,772.92 intended to reflect a partial payment for March 2024.	<b>E-8, F &amp; G</b>
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**Post-Petition Payments on the Eighth Generations Note**

15. After the Petition Date, pursuant to the Stipulation(s) For Use of Cash Collateral By and Between Generations on 1<sup>st</sup> LLC, Parkside Place, LLC, and Red River State Bank (*See* ECF 44, ECF 54, ECF 69, ECF 91, ECF 140), the following cash collateral payments have been paid by the Debtor and applied to the outstanding balance of the Eighth Generations Note:

<b>Payment No.</b>	<b>Payment Description</b>	<b>Exhibit Description</b>	<b>Exhibit No.</b>
9	Payment of <b>\$114,592.03</b> was received on February 4, 2025, and applied to accrued interest.	RRSB General Ledger Slip dated February 4, 2025, in the sum of \$114,592.03 and RRSB Loan Credit Slip dated February 4, 2025, in the sum of \$114,592.03.  <i>See also</i> ECF 54; ¶ 5(iii).	<b>E-9, F &amp; G</b>
10	Payment of <b>\$25,000.00</b> was received on February 14, 2025, and applied to accrued interest.	Generations DIP Account Check No. 30009 in the amount of \$25,000.00; and RRSB Loan Credit Slip dated February 14, 2025, in the sum of \$25,000.00.	<b>E-10, F &amp; G</b>
11	Payment of <b>\$35,000.00</b> was received on March 7, 2025,	Generations DIP Account Check No. 30031 in the amount of \$35,000.00;	<b>E-11, F &amp; G</b>

	and applied to accrued interest.	and RRSB Loan Credit Slip dated March 7, 2025, in the sum of \$35,000.00.	
12	Payment of <b>\$10,000.00</b> was received on March 18, 2025, and applied to accrued interest.	Loan Credit slip dated March 18, 2025, and wire transfer from The Verstandig Law Firm, LLC Account ending in -7208 to RRSB in the sum of \$10,000.00.	<b>E-12, F &amp; G</b>
13	Payment of <b>\$35,000.00</b> was received on April 14, 2025, and applied to accrued interest.	Generations DIP Account Check No. 30053 in the amount of \$35,000.00; and RRSB Loan Credit Slip dated April 14, 2025, in the sum of \$35,000.00.	<b>E-13, F &amp; G</b>
14	Payment of <b>\$35,000.00</b> was received on May 19, 2025, and applied to accrued interest.	Generations DIP Account Check No. 30074 in the amount of \$35,000.00; and RRSB Loan Credit Slip dated May 19, 2025, in the sum of \$35,000.00.	<b>E-14, F &amp; G</b>
15	Payment of <b>\$35,000.00</b> was received on June 13, 2025, and applied to accrued interest.	Generations DIP Account Check No. 30100 in the amount of \$35,000.00; and RRSB Loan Credit Slip dated June 13, 2025, in the sum of \$35,000.00.	<b>E-15, F &amp; G</b>
16	Payment of <b>\$35,000.00</b> was received on July 14, 2025, and applied to accrued interest.	Generations DIP Account Check No. 30122 in the amount of \$35,000.00; and RRSB Loan Credit Slip dated July 14, 2025, in the sum of \$35,000.00.	<b>E-16, F &amp; G</b>

No further payments have been made by the Debtor towards the outstanding balance of the Eighth Generations Note.


16. As of the Petition Date, the outstanding balance of the Eighth Generations Note was \$8,485,609.34.

17. An Inquiry Statement for the Eighth Generations Note generated by RRSB's computer system is attached as **Exhibit F** and incorporated by reference. The Inquiry Statement does not include a running balance but only identifies advances on the loan, late fees accrued, and application of payments.

18. For the convenience of the parties and the Court, a printout of an Excel spreadsheet depicting the accrual of interest and late fees pursuant to the Eighth Generations Note and the application of all payments received by RRSB for the Eighth Generations Note is attached as **Exhibit G** and incorporated by reference.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 16 day of September, 2025.

  
Charles Aarestad

Subscribed and sworn to before me this 16 day of September, 2025.

  
Notary Public

